

RIVERTON, Wyo., Nov. 09, 2015 (GLOBE NEWSWIRE) -- [U.S. Energy Corp.](#) (NASDAQ:USEG) ("we" and "us" or the "Company"), today reported its third quarter 2015 highlights and selected financial results for the three and nine months ended September 30, 2015.

#### Selected Highlights for the Three Months Ended September 30, 2015

- Third quarter 2015 production came from a total of 149 gross (20.88 net) wells. During the quarter the Company produced 80,673 barrels of oil equivalent ("BOE"), or an average of 877 BOE per day ("BOE/D") as compared to 142,484 BOE or an average of 1,549 BOE/D during the three months ended September 30, 2014. Sequentially from the second quarter of 2015, production during the third quarter decreased approximately 2.2% as a result of normal production declines and fewer wells being drilled due to low commodity prices.
- During the third quarter 2015, we recorded a net loss after taxes of \$23.7 million or \$0.84 per share basic and diluted, as compared to a net loss after taxes of \$63,000, or \$0.00 per share basic and diluted, during the same period of 2014. During the three months ended September 30, 2015, the Company recorded a proved property impairment of \$21.4 million related to its oil and gas assets, which represents \$0.76 of the \$0.84 per share loss. The impairment was primarily due to a decline in the price of oil. There were no proved property impairments recorded during the three months ended September 30, 2014.
- At September 30, 2015, we had \$3.9 million in cash and cash equivalents.
- The Company recognized \$2.6 million in revenues during the three months ended September 30, 2015 as compared to \$9.9 million in revenues during the third quarter of 2015. The \$7.3 million decrease in revenue is primarily due to lower oil and gas sales volumes in the third quarter of 2015 when compared to the third quarter of 2014.
- General and administrative expenses decreased by \$206,000 during the three months ended September 30, 2015 as compared to general and administrative expenses for the same period of 2014.
- Adjusted Net Income (Loss), a non-GAAP measure that excludes non-recurring items and mark-to-market gains and losses on derivative instruments, was an Adjusted Net Loss of \$3.5 million during the three months ended September 30, 2015, or \$0.13 per basic and diluted share. Adjusted Net Loss was \$774,000 for the three months ended September 30, 2014, or \$0.03 per basic and diluted share. Please refer to the reconciliation in this release for additional information about this measure.
- Earnings before interest, income taxes, depreciation, depletion and amortization, accretion of discount on asset retirement obligations, non-cash impairments, unrealized derivative gains and losses and non-cash compensation expense ("Modified EBITDAX"), was a \$1.4 million loss for the three months ended September 30, 2015, compared to a \$4.6 million gain for the three months ended September 30, 2014. Modified EBITDAX is a non-GAAP financial measure. Please refer to the reconciliation in this release for additional information about this measure.

#### Selected Highlights for the Nine Months Ended September 30, 2015

- During the nine months ended September 30, 2015 the Company produced 248,518 barrels of oil equivalent ("BOE"), or an average of 910 BOE per day ("BOE/D") as compared to 364,076 BOE or an average of 1,334 BOE/D during the nine months ended September 30, 2014. The decrease in production is a result of normal production declines and fewer wells being drilled during the period due to low commodity prices.
- During the nine months ended September 30, 2015 we received an average of \$954,000 per month from our producing wells with an average operating cost of \$515,000 per month (including workover costs) and production taxes of \$89,000, for average net cash flows of \$350,000 per month from oil and gas production before non-cash depletion expense and impairments.
- During the nine months ended September 30, 2015, we recorded a net loss after taxes of \$53.6 million or \$1.91 per share basic and diluted, as compared to net income after taxes of \$243,000, or \$0.01 per share basic and diluted, during the same period of 2014. During the nine months ended September 30, 2015, the Company recorded proved property impairments totaling \$43.9 million related to its oil and gas assets, which represents \$1.56 of the \$1.91 per share loss. The impairment was primarily due to a decline in the price of oil. There were no proved property impairments recorded during the first nine months of 2014.
- The Company recognized \$8.6 million in revenues during the nine months ended September 30, 2015 as compared to \$27.3 million in revenues during the same period in 2014. The \$18.7 million decrease in revenue is primarily due to lower oil and gas prices and lower oil and gas sales volumes in the first nine months of 2015 as compared to the first nine months of 2014.
- General and administrative expenses decreased by \$645,000 during the nine months ended September 30, 2015 compared to general and administrative expenses for the nine months ended September 30, 2014.
- Adjusted Net Income (Loss), a non-GAAP measure that excludes non-recurring items and mark-to-market gains and losses on derivative instruments, was an Adjusted Net Loss of \$10.6 million during the nine months ended September 30, 2015, or \$0.38 per basic and diluted share. Adjusted Net Income was \$160,000 for the nine months ended September 30, 2014, or \$0.01 per basic and diluted share. Please refer to the reconciliation in this release for additional information about this measure.
- Earnings before interest, income taxes, depreciation, depletion and amortization, accretion of discount on asset retirement obligations, non-cash impairments, unrealized derivative gains and losses and non-cash compensation expense ("Modified EBITDAX"), was a \$3.0 million loss for the nine months ended September 30, 2015, compared to a \$12.9 million gain for the nine months ended September 30, 2014. Modified EBITDAX is a non-GAAP financial measure. Please refer to the reconciliation in this release for additional information about this measure.

- Our Credit Agreement with Wells Fargo Bank, N.A. provides a \$100.0 million senior secured credit facility. Effective July, 16, 2015 we have a redetermined borrowing base of \$7.0 million with a maturity date of July 30, 2017. At September 30, 2015, we had \$6.0 million drawn on the facility.

## Hedging - Commodity Derivative Contracts

The Company recognized an unrealized and realized derivative gain of \$1.4 million in the third quarter of 2015 compared to a gain of \$696,000 for the same period in 2014. The 2015 amount includes a gain on unrealized changes in the fair market value of our commodity derivative contracts of \$1.3 million and realized cash settlement gains on derivatives of \$33,000. For the first nine months of 2015 the Company recognized an unrealized and realized derivative gain of \$896,000 compared to a loss of \$247,000 for the same period in 2014. The 2015 amount includes a gain on unrealized changes in the fair value of our commodity derivative contracts of \$1.0 million and realized cash settlement losses on derivatives of \$106,000.

Energy One, a wholly owned subsidiary of the Company, has the following commodity derivative contracts (‘economic hedges’) with Wells Fargo as presented below as of the date of this release.

Settlement Period	Counterparty	Basis	Quantity (Bbls/day)	Strike Price
Crude Oil Costless Collar				
05/01/15 - 12/31/15	Wells Fargo	WTI	500	Put: \$ 45.00 Call: \$ 58.79
Crude Oil Costless Collar				
01/01/16 - 06/30/16	Wells Fargo	WTI	350	Put: \$ 57.50 Call: \$ 66.80
Crude Oil Costless Collar				
07/01/16 - 12/31/16	Wells Fargo	WTI	300	Put: \$ 50.00 Call: \$ 65.25

## Uranium Properties – Anfield

On June 30, 2015, the Company entered into Amendment No. 1 to the Amendment Assignment and Assumption Agreement with [Anfield Resources Inc.](#) (‘Anfield’) dated as of August 14, 2014. As amended, conditioned upon the closing of a purchase and sale transaction between Anfield and [Uranium One Inc.](#) (‘Uranium One’) (the ‘Anfield-Uranium One Transaction’), the Company agreed to release Anfield from the future payment and royalty obligations stemming from the Company’s 2007 sale of its uranium properties to Uranium One. In return, Anfield has agreed to pay the Company the following:

1. \$750,000 in Anfield common shares upon closing of the Anfield-Uranium One Transaction;
2. \$750,000 in Anfield common shares on the first anniversary of the closing of the Anfield-Uranium One Transaction;
3. \$1.0 million in Anfield common shares on the second anniversary of the closing of the Anfield-Uranium One Transaction;
4. \$2.5 million in cash paid upon 18 months of continuous commercial production; and
5. \$2.5 million in cash paid upon 36 months of continuous commercial production.

If any of the share issuances result in the Company holding in excess of 20% of the then issued and outstanding shares of Anfield (the ‘Threshold’), such shares in excess of the Threshold will not be issued at that time, but will be deferred to the next scheduled share issuance. If, upon the final scheduled share issuance the number of shares to be issued exceeds the Threshold, the value in excess of the Threshold shall be paid to the Company in cash.

The Anfield-Uranium One Transaction closed on September 1, 2015, and as a result, the Company received 7,436,505 shares of Anfield valued at \$750,000 using a 10 day volume-weighted average closing price for Anfield shares as of that date. Pursuant to ASC 820-10-30, the Company determined that because Anfield is a thinly traded stock, the transaction price of \$750,000 did not equal the fair value of the Anfield shares. Accordingly, the Company used alternate methods to determine a fair value for the Anfield shares and established a fair value of \$238,000 at both initial measurement and as of September 30, 2015. There can be no guarantee of the future value of Anfield shares received or when, if ever, commercial production will commence.

## CEO Statement

‘I am pleased to report that our base production has held up relatively well when compared sequentially over the preceding quarters of this year. In lieu of a robust drilling program we have implemented and are realizing cost cutting measures as the downturn in the commodity price persists. We are prudently managing the bottom line while we continuing to seek out

alternative funding, acquisition and divestiture opportunities and a long term solution for the mine project," stated David Veltri, CEO, COO and President of the Company. "In addition, we have begun the transition process of moving the corporate headquarters and daily duties of the staff to the new Denver office. We have begun the process of hiring key personnel and they are currently working with the existing staff to ensure a smooth transition to Denver prior to year-end," he added.

## Financial Highlights

The following table sets forth selected financial information for the three and nine months ended September 30, 2015 and 2014. The information is derived from the Company's financial statements included in its Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2015. All of this information should be read in conjunction with the Form 10-Q and the financial statements contained therein, including the notes to the financial statements.

### U.S. ENERGY CORP.

#### SELECTED FINANCIAL DATA

(Unaudited)

(Amounts in thousands, except per share amounts)

	September 30, 2015	December 31, 2014
Balance Sheets:		
Cash and cash equivalents	\$ 3,877	\$ 4,010
Current assets	\$ 6,449	\$ 7,500
Current liabilities	\$ 15,600	\$ 7,966
Working capital	\$ (9,151 )	\$ (466 )
Total assets	\$ 71,502	\$ 123,523
Long-term obligations	\$ 1,781	\$ 8,162
Shareholders' equity	\$ 54,121	\$ 107,395
Shares Outstanding	28,110,311	28,047,661

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Statements of Operations:				
Operating revenues	\$ 2,622	\$ 9,928	\$ 8,586	\$ 27,312
Income (loss) from operations	\$ (25,224 )	\$ (681 )	\$ (54,670 )	\$ 715
Other income & expenses	\$ 1,573	\$ 618	\$ 1,036	\$ (472 )
Net income (loss)	\$ (23,651 )	\$ (63 )	\$ (53,634 )	\$ 243
Net income (loss) per share				
Basic and diluted	\$ (0.84 )	\$ --	\$ (1.91 )	\$ 0.01
Weighted average shares outstanding				
Basic	28,051,066	27,899,505	28,048,808	27,808,231
Diluted	28,051,066	27,899,505	28,048,808	28,200,388

#### Non-GAAP Financial Measures

##### Modified EBITDAX

In addition to reporting net income (loss) as defined under GAAP, in this release we also present net earnings before the items set forth in the table below ("Modified EBITDAX"), which is a non-GAAP performance measure. Modified EBITDAX excludes certain items that the Company believes affect the comparability of operating results and can exclude items that are generally one-time or whose timing and/or amount cannot be reasonably estimated. Modified EBITDAX is a non-GAAP measure that is presented because the Company believes that it provides useful additional information to investors as a performance measure. We believe that Modified EBITDAX is useful to investors because similar measures are frequently used by securities analysts, investors, and other interested parties in their evaluation of companies in the energy industry. Our management uses Modified EBITDAX to manage our business, including preparation of our annual operating budget and financial projections. Modified EBITDAX does not represent, and should not be considered an alternative to, GAAP measurements such as net income (loss) (its most directly comparable GAAP measure) or as a measure of liquidity, and our calculations thereof may not be comparable to similarly titled measures reported by other companies. Our management does not view Modified EBITDAX in isolation and also uses other measurements, such as net income (loss) and revenues to measure operating performance. The following table

provides a reconciliation of net income (loss) to Modified EBITDAX for the periods presented:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (23,651 )	\$ (63 )	\$ (53,634 )	\$ 243
Impairment of oil and natural gas properties	21,446	--	43,894	--
Accretion of asset retirement obligation	11	10	35	29
Non-cash compensation expense	(138 )	717	199	1,013
Unrealized (gain) loss on commodity derivatives	(1,337 )	(780 )	(1,002 )	(369 )
Interest expense	67	69	196	314
Depreciation, depletion and amortization	2,243	4,689	7,306	11,702
Modified EBITDAX (Non-GAAP)	\$ (1,359 )	\$ 4,642	\$ (3,006 )	\$ 12,932

#### *Adjusted Net Income (Loss)*

Adjusted Net Income (Loss) is another supplemental non-GAAP financial measure that is used by management and external users of the Company's condensed consolidated financial statements. The Company defines Adjusted Net Income (Loss) as net income before the items set forth in the table below. We believe that Adjusted Net Income (Loss) is useful to investors because similar measures are frequently used by securities analysts, investors, and other interested parties in their evaluation of companies in the energy industry.

The following table provides a reconciliation of net (loss) income (GAAP) to Adjusted Net Income (Loss) (non-GAAP):

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net (loss) income	\$ (23,651 )	\$ (63 )	\$ (53,634 )	\$ 243
Impairment of oil and natural gas properties	21,446	--	43,894	--
Gain on sale of assets	(41 )	--	(57 )	(28 )
Change in fair value of derivative instruments	(1,337 )	(780 )	(1,002 )	(369 )
Interest expense	67	69	196	314
Adjusted net (loss) income	\$ (3,516 )	\$ (774 )	\$ (10,603 )	\$ 160
Adjusted earning per share:				
Basic and diluted	\$ (0.13 )	\$ (0.03 )	\$ (0.38 )	\$ 0.01
Weighted average shares outstanding				
Basic	28,051,066	27,899,505	28,048,808	27,808,231
Diluted	28,051,066	27,899,505	28,048,808	28,200,388

about; U.S. Energy Corp.

[U.S. Energy Corp.](#) is a natural resource exploration and development company with a primary focus on the exploration and development of its oil and gas assets. The Company also owns the Mount Emmons molybdenum deposit located in west central Colorado. The Company is headquartered in Riverton, Wyoming and trades on the NASDAQ Capital Market under the symbol "USEG".

To view the Company's Financial Statements and Management's Discussion and Analysis, please see the Company's 10-K for the twelve months ended December 31, 2014 and its 10-Q for the three and nine months ended September 30, 2015, which are available at [www.sec.gov](http://www.sec.gov) and [www.usnrg.com](http://www.usnrg.com).

#### *Disclosure Regarding Forward-Looking Statement*

*This news release includes statements which may constitute "forward-looking" statements, usually containing the words "will," "anticipates," "believe," "estimate," "project," "expect," "target," "goal," or similar expressions. Forward looking statements in this release relate to, among other things, U.S. Energy's expected future capital expenditures and projects and financial condition. There is no assurance that additional financing, acquisition or other opportunities will be available. The forward-looking statements are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, dry holes and other unsuccessful development activities, higher than expected expenses or decline rates from production wells, future trends in commodity and/or mineral prices, the availability of capital, competitive*

*factors, and other risks described in the Company's filings with the SEC (including, without limitation, the Form 10-K for the year ended December 31, 2014) all of which are incorporated herein by reference. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revision or changes after the date of this release.*

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